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5 **In The United States District Court  
6 For The District Of Arizona**

7 Slep-Tone Entertainment Corporation, ) Case No.: 2:13-cv-885-ROS  
8 )  
9 Plaintiff )  
vs. ) **Response to Defendant's Motion to  
10 ) Dismiss 1<sup>st</sup> Amended Complaint**  
U.R. Entertainment Inc., et al., )  
11 Defendants ) Hon. Silver  
)

12 The Plaintiff, Slep-Tone Entertainment Corporation (“Slep-Tone”), by its  
13 counsel, hereby responds in opposition to the motion (Doc. 30) of Defendant UR  
14 Entertainment, Inc. (“UR”) to dismiss the First Amended Complaint (Doc. 28).

15 UR’s “kitchen-sink” memorandum seeks to shift the focus from Slep-Tone’s plainly  
16 pled trademark infringement and unfair competition claims by distracting the Court with  
17 irrelevant and misleading side issues.<sup>1</sup> The First Amended Complaint constitutes a detailed  
18 set of factual allegations narrowly drawn to yet completely asserting Slep-Tone’s claims  
against UR.

19 ///

20 ///

21 ///

22 <sup>1</sup> For example, UR notes that Slep-Tone has sued many defendants in venues across the United  
23 States on these claims. In fact, Slep-Tone has sued more than 1,000 such defendants, but that  
24 figure reflects only that Slep-Tone’s products are extremely widely counterfeited. UR apparently  
25 seeks to escape liability on a “safety in numbers” defense, on the theory that a suit is somehow  
less legitimate if there are many similar suits against similarly situated defendants. That  
“defense” raises the question: If UR were only one of a handful of defendants Slep-Tone had  
sued, would it consider the claims to be more legitimate? It seems unlikely.

1           **I.     LEGAL STANDARD**

2           To survive scrutiny under Rule 12(b)(6), a complaint must plead enough facts to state  
 3 a claim to relief that is plausible on its face. *See Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570  
 4 (2007). A claim “has facial plausibility when the plaintiff pleads factual content that allows  
 5 the court to draw the reasonable inference that the defendant is liable for the misconduct  
 6 alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009). The factual allegations must present  
 7 enough detail “to raise a right to relief above the speculative level.” *Twombly*, 550 U.S. at 555.

8           Factual allegations, however, must be assumed by the Court to be true, for purposes  
 9 of Rule 12(b)(6). “When there are well-pleaded factual allegations, a court should assume  
 10 their veracity and then determine whether they plausibly give rise to an entitlement to relief.”  
*Iqbal*, 556 U.S. at 679.

11           **II.    ARGUMENT**

12           **A.    The First Amended Complaint provides a sufficient factual basis for a  
 13           plausible theory of trademark infringement and unfair competition.**

14           In order to state a claim for trademark infringement or unfair competition based upon  
 15 false designation of origin, a plaintiff must show (1) that the subject mark is a valid,  
 16 protectable trademark (First Amended Complaint, ¶¶ 37-40) ; (2) that the plaintiff owns the  
 17 subject mark (*id.*); and (3) the defendant used the mark, or a similar mark, in commerce,  
 18 without consent, in a manner that is likely to cause confusion among ordinary consumers as  
 19 to the source, sponsorship, affiliation, or approval of the goods (*id.*, ¶¶ 41-63). *See* 15 U.S.C.  
 20 § 1114(1); *Brookfield Communications, Inc., v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1046–  
 21 47 n. 8 (9th Cir. 1999); Ninth Circuit Manual of Model Civil Jury Instructions, § 15.5.

22           Stated more simply, the First Amended Complaint alleges that UR created or obtained  
 23 physical products (computer files that play audiovisual content) that Slep-Tone did not make,  
 24 but that are nonetheless marked with Slep-Tone’s trademarks; that those physical products  
 25 are similar to but inferior in quality in comparison to genuine products; and that UR used the  
 fake products in commerce in connection with its karaoke business.

If this case were about sports apparel or designer purses, there would be no question as to the appropriateness of the claims. If UR were selling Arizona Diamondbacks jerseys or Louis Vuitton purses that it copied from the originals, without the permission of the trademark owners, it would not dare make the argument that it had the right to do so simply because the fake products were copied using the originals as templates. But because the fake products it has made or acquired and used are in the nature of audiovisual works, UR treats Slep-Tone's property as though it is not real, though Slep-Tone's trademarks—and all that they symbolize—are unimportant.

The Trademark Act says otherwise.

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1114(1). Further:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

1 (A) is likely to cause confusion, or to cause mistake, or to deceive  
2 as to the affiliation, connection, or association of such person  
3 with another person, or as to the origin, sponsorship, or  
4 approval of his or her goods, services, or commercial activities  
by another person,

5 [...]

6 shall be liable in a civil action by any person who believes that  
7 he or she is or is likely to be damaged by such act.

8 15 U.S.C. § 1125(a).

9 These provisions rightly focus the Court's attention on the *reproduction of the mark*; the  
10 *origin, sponsorship, and approval of the goods*; and the *likelihood of confusion, mistake, or deception created*  
11 *by the use*. Slep-Tone has alleged in the First Amended Complaint that UR is using a  
12 reproduction of the marks (¶¶ 43, 49); that the reproduced mark is being applied as a sort of  
13 label to a physical product someone else (either UR or its source), not Slep-Tone, made (¶¶  
14 46-48); that Slep-Tone did not approve of the reproduction of the mark or of the fake goods  
15 bearing the mark (¶ 51); that UR's use of these reproduced, and therefore fake, goods in its  
16 commercial business is a deceptive act and a false designation of the origin of the tracks UR  
17 is using (¶¶ 52-53, 55) that is likely to confuse its customers and patrons into believing, falsely,  
that Slep-Tone authorized this arrangement (¶ 58).

18 Likewise, the basis for Slep-Tone's claim for damage is laid out in the complaint. In  
19 sum, Slep-Tone has suffered because "UR's unlawful activities reduced the number of discs  
20 it needed to purchase to achieve an amount of use commensurate with the demand for  
karaoke services that it has sought to satisfy." (¶ 68.)

22 **B. The Claims are not magically transformed to something else simply  
23 because they might have been pled differently.**

1 UR argues that Slep-Tone cannot have a claim for trademark infringement or unfair  
 2 competition because the conduct UR engaged in<sup>2</sup> *might* be characterized as some other civil  
 3 wrong. UR contends that these claims are more properly cast as copyright infringement or  
 4 contract claims and that they therefore cannot also constitute trademark infringement.

5 The Supreme Court has made it clear that for purposes of the Trademark Act, it is the  
 6 physical thing, not the content embodied or symbolized in it, that constitutes the “good” to  
 7 which a trademark is applied. *See Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23,  
 8 37 (2003). In that case, Dastar had distributed copies of video in which copyright had been  
 9 formerly owned by Twentieth Century Fox, but that had fallen into the public domain. Dastar  
 10 marked the videos with its own trademarks, without any reference to Fox as the former  
 11 producer and copyright owner. Fox asserted a false designation of origin claim, on the basis  
 12 that it, not Dastar, was the origin of the video. The Court concluded:

13 In sum, reading the phrase ‘origin of goods’ in the Lanham Act  
 14 in accordance with the Act’s common-law foundations (which  
 15 were not designed to protect originality or creativity), and in light  
 16 of the copyright and patent laws (which were), we conclude that  
 17 the phrase refers to the producer of the tangible goods that are  
 18 offered for sale, and not to the author of any idea, concept, or  
 19 communication embodied in those goods.

20 *Id.*

21 Because Dastar made the copies, it was the origin of the goods, and the placement of  
 22 its trademarks on the goods was not a false designation of origin even though Fox (formerly)  
 23 owned the copyright in the content. Moreover, the Court noted probable Trademark Act  
 24 liability if Dastar “had simply copied [the television series] … without changing the title or  
 25 packaging (including the original credits to Fox).” *Id.* at 36. That is precisely the claim here.

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24 <sup>2</sup> As noted *supra* Section I, the plausible factual allegations regarding UR’s conduct must be  
 25 accepted as true for purposes of determining whether a claim has been stated.

1       It may well be that Slep-Tone originated the *content* found in UR's fake goods, but the  
 2 fact remains that Slep-Tone did not make the tracks itself, and that is what is important for  
 3 trademark purposes.

4       UR also asserts that it is being sued primarily because it did not comply with Slep-  
 5 Tone's Media-Shifting Policy (MSP)<sup>3</sup> in conducting its media-shifting activities. The  
 6 existence of the MSP is a fact that is of interest in this action because it demonstrates that  
 7 there is a method by which UR could have obtained permission to apply Slep-Tone's  
 8 trademarks to non-original items, if it had cared to do so. The result of compliance with the  
 9 MSP—which requires more than simply maintaining 1:1 correspondence between original  
 10 discs and non-original tracks—is a “covenant not to sue,” which is effectively, among other  
 11 things, a license to use the trademarks in question, predicated upon quality controls through  
 12 the inspection that forms one of the requirements of the MSP.

13       UR contends that its purchase of original CDs entitles it to come under the umbrella  
 14 of the media-shifting policy, and that its failure to do so is simply a contractual or quasi-  
 15 contractual matter. It also mistakenly contends that the First Amended Complaint concedes  
 16 that it “lawfully acquired” original discs.<sup>4</sup> If UR desires to assert as an affirmative defense,  
 17 for example, that it was entitled to a license based upon substantial compliance with the MSP,  
 18 it is welcome to plead that as an affirmative defense. *See* Fed. R. Civ. P. 8(c)(1) (identifying  
 19 “license” as an affirmative defense). It will likely find that field tough to plow because, as the  
 20 First Amended Complaint alleges, it has satisfied *none* of the requirements of the MSP.

21       <sup>3</sup> UR refers at multiple places in its argument to Slep-Tone's “MSM” policy. The source of that  
 22 abbreviation is unknown, but presumably UR means “MSP.”

23       <sup>4</sup> UR refers to paragraph 45, which states that “UR does not maintain a 1:1 correspondence  
 24 relationship between its hard drives and original discs it has lawfully acquired.” That allegation  
 25 does not concede that UR has lawfully acquired any discs; it suggests instead that even if UR has  
 lawfully acquired any discs, it nonetheless does not maintain 1:1 correspondence with them.  
 Paragraph 67 expressly refers to “tracks that UR never obtained in any original form.”

1 Nevertheless, the existence of a potential license defense is not grounds for dismissal of the  
 2 complaint, and UR cites no authority to the contrary.

3 **C. UR's Rule 8 assertion is misplaced.**

4 UR contends that the First Amended Complaint fails because it does not put UR on  
 5 notice as to when the activities complained of commenced. Although the implausibility of  
 6 UR's lack of knowledge as to when it began its own activities as alleged might be turned aside  
 7 for the moment, UR's Rule 8 argument is essentially a back-door invocation of Rule 9(f).

8 However, "Rule 9(f) does not have the effect of *requiring* allegations of time and place,  
 9 but merely operates to make such allegations, *if made*, material for the purposes of testing the  
 10 sufficiency of the pleadings as against, for example, a motion to dismiss." *Kuenzell v. United*  
 11 *States*, 20 F.R.D. 96, 99 (N.D. Cal. 1957) (citation omitted) (emphasis in original). Allegations  
 12 would become material and dismissal on motion for failure to state a claim would be  
 13 appropriate only "[i]f the allegations of the complaint affirmatively show that the complaint  
 14 is barred by the applicable statute of limitations." *Levy v. Paramount Pictures*, 104 F.Supp. 787,  
 788 (N.D. Cal. 1952).

15 It should likewise be noted that the obligations of Rule 8(a) extend to jurisdiction, the  
 16 claim for relief, and the demand, not to anticipatory pleading of factual matter directed to  
 17 potential affirmative defenses. *See* Fed. R. Civ. P. 8(a), 8(c) (identifying, *inter alia*, "statute of  
 18 limitations" and "laches" as affirmative defenses that must be pled responsive).

19 Perhaps most importantly of all, the Trademark Act does not contain a statute of  
 20 limitations, and there is therefore no statute of limitations defense to trademark infringement.  
 21 *See Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 603 F.3d 1133, 1140 (9th Cir. 2010).  
 22 However, laches is an equitable defense that is available under the Trademark Act, and in  
 23 considering laches, delay beyond the analogous state-law statutory period is presumptively  
 24 unreasonable. *See id.* The applicable Arizona statute is the fraud statute of limitations, which  
 25 is three years. *See id.*; Ariz. Rev. Stat. § 12-543(3). The only allegation of time in the First

1 Amended Complaint is the allegation that the infringing activities were ongoing in January  
2 and February, 2012, a date that is squarely inside the applicable three-year period.

3 **D. UR's assertion of nominative fair use is likewise misplaced.**

4 UR contends that it is entitled to dismissal on the basis of its supposed "nominative  
5 fair use" of Slep-Tone's trademarks. UR theorizes that because "the content and presentation  
6 of the Slep-Tone product to the public is unchanged" whether the source is an original disc  
7 or a computer file, the use of Slep-Tone's trademarks on UR's computer files is a "true and  
8 correct" designation of origin.

9 This theory runs strongly contrary both to the law regarding "origin" and to the factual  
10 allegations of the First Amended Complaint. First, as noted above, for purposes of the  
11 Trademark Act, UR, not Slep-Tone, is the origin of the computer-based tracks that UR uses.  
12 Thus, when UR uses Slep-Tone's marks on a product that UR created, that designation of  
13 origin is not "true and correct."

14 Second, Slep-Tone has alleged in the First Amended Complaint that the "content and  
15 presentation" of UR's product differs substantially from that which originates from an  
16 original disc. *See* First Amended Complaint, ¶ 19 ("between 60% and 90% of the data  
17 representative of and comprising the music component of the track is discarded in order to  
18 reduce the size of the resulting computer file"); and ¶ 20 (the computer-based track is "a  
lower-resolution imitation of the original karaoke accompaniment track").

19 Nominative fair use analysis applies when a defendant uses a plaintiff's trademark to  
20 "describe or identify the plaintiff's product, even if the defendant's ultimate goal is to describe  
21 or identify her or her own product." *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 811  
22 (9th Cir. 2003). UR contends that Slep-Tone has admitted that the mark was used to attribute  
23 tracks to Slep-Tone, referring to paragraphs 49-50 of the First Amended Complaint. But  
24 those paragraphs do not explicitly carry any such admission, and to infer one requires certain  
25

1 stretches of the mind that have already been foreclosed as discussed above. Furthermore, a  
2 later allegation puts the question to bed:

3 UR's placement of the Sound Choice Marks upon UR's self-  
4 created computer files was intended not to attribute the content  
5 of the computer files to Slep-Tone's authorship or origin, but to  
6 pass off the computer files, falsely, as original materials made by  
7 Slep-Tone.

8 First Amended Complaint, ¶ 55.

9 UR's theory of nominative fair use borders on the ridiculous. Under that theory, an  
10 accused counterfeiter of Louis Vuitton purses<sup>5</sup> would be able to defend himself on the basis  
11 that the use of the well-known LV mark on the counterfeits is intended to refer to the original  
12 he used as a pattern. The more assiduous the copying, the less likely the plaintiff would be to  
13 prevail. Essentially, UR seeks to escape liability for acts that are easily identified as  
14 infringement when more tangible goods are involved, simply because the process by which  
15 its fake goods are made is easily and quickly accomplished using commonly owned computer  
16 equipment.

17 For that to be the rule would vitiate the whole of the Trademark Act; no act could  
18 ever be an infringement where a plaintiff's mark is used by a defendant, because the  
19 nominative fair use defense would always be in play. Instead, nominative fair use protects  
20 the use of a mark to *describe* the goods of another. This is not a situation in which UR is  
21 advertising that its tracks as an independent product are "as good as SOUND CHOICE" or  
22 even "copied from original SOUND CHOICE discs," which would at least present a  
23 colorable theory of nominative fair use. UR is seeking to pass off its fake goods as the real  
24 thing.

25 <sup>5</sup> Louis Vuitton is used as an example because, like Slep-Tone, it is an often-enough victim of  
26 counterfeitors and pirates that it finds itself frequently before the courts as a trademark  
27 infringement plaintiff, especially in reported decisions.

1           **III. CONCLUSION**

2           In view of all the foregoing, Slep-Tone respectfully submits that it has presented  
3           plausible claims for relief and urges the Court to deny UR's motion to dismiss.

4

5           RESPECTFULLY SUBMITTED this Thursday, January 30, 2014.

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/s/ Michael Harnden

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Attorney for Plaintiff

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16           **Certificate Of Electronic Filing**

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18           I hereby certify that on January 30, 2014, a copy of the foregoing was electronically  
19           transmitted to the Clerk's office for filing using the CM/ECF System.

20           \_\_\_\_\_  
/s/ Michael Harnden

21           Counsel for Plaintiff